

2007

Jordan – Country Snapshot

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April 2007

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Hadrien Pujol and Bernard Forster

Economics and Politics

2006 was marked by announcements for new real estate developments. According to the EIU, Jordan's economy grew by 6.2% in 2006, a growth similar to 2005. The key advances in Jordan were fuelled by the increase in FDI which topped US\$3 billion in capital inflows. The majority of these investments come from the Gulf and are directed towards the property and tourism sectors.

Jordan has been hit by the continued high oil prices which have led to inflationary pressure. Inflation was recorded at 6.3% in 2006 and the EIU has forecast a similar level for 2007.

During 2006, Jordan also unveiled a series of infrastructure projects which we outline below. 2006 was a success in terms of attracting foreign investment. The government has certainly put into place one of the most liberal investment regimes in the region, which is an encouraging prospect for 2007 and beyond.

Developments and Initiatives

Major infrastructure projects include a 28-kilometre rail link between Amman and the industrial city of Zarqa estimated at US\$130 million, upgrades and extension of the port of Aqaba, and a US\$284 million investment to build a new terminal at Queen Alia International airport in Amman, set to increase capacity from 3 million passengers a year to 10 million.

Horizon Development Holdings announced a plan to build a US\$5 billion urban development project in the Aqaba Special Economic Zone (ASEZ).

The US\$1 billion Al-Abdali Urban Regeneration Project, a 34-hectare site, represents an integrated mixed-use real estate development in the heart of the capital Amman. The Urban Regeneration Project will accommodate high-rise tower buildings, luxury apartment buildings,

hotels, a medical centre, restaurants, retail outlets, cinemas and a national library, as well as public plazas and gardens serviced by a state-of-the-art infrastructure. The site will also house the American University of Jordan.

The Gulf Finance House is investing over US\$1 billion in 'The Royal Metropolis' project in Amman which comprises 'Jordan Gate' and 'The Districts'.

Saraya Aqaba, the US\$600 million beachfront city in the heart of Aqaba, will be built around a man-made lagoon, spanning approximately 61 hectares.

The Zarqa New Garden City Development, 25 km northeast of Amman, is under development. The 2,500-hectare site will include residential properties, restaurants, cafés, shopping arcades, cinemas and other entertainment facilities.

The US\$500 million Tala Bay resort project in Aqaba features a marina, a golf course, 5,000 hotel rooms, housing units and other entertainment and sports facilities. A marina beach hotel (315 rooms) and a marina town hotel (250 rooms) are both under development.

The US\$700 million Ayla Oasis project on the north beach in Aqaba is under development. It includes five hotels ranging from a 90-room hotel to a 600-room hotel. The project also includes 2,884 houses, a marina village, an artificial lagoon and an 18-hole golf course.

Visitation and the Hotel Market

According to the Ministry of Tourism, tourist arrivals to Jordan increased by 7.4% in the year-to-September 2006 period compared to the same period in 2005. Out of the 4.9 millions visitors, almost four million came from the neighbouring Arab states and the number of Europeans increased by almost 8%. In the meantime, Americans were showing the largest increase in visitation (close to 31%).

Jordan's tourism took a hit in the summer period as a result of the conflict in Lebanon. Some of the tourist attractions recorded significant falls in tourist visitation during this period. Because the Jordan tourism market is dominated by the package and tour market, instability in the region is a strong deterrent to travel.

As a result, quality hotels in Amman recorded a significant fall in occupancy from 70% in 2005 to 58% in 2006. Average rate, however, reported a healthy increase of 12% to US\$132.

The resultant RevPAR dropped by 6% to US\$77 and GOPPAR remained constant at US\$56 for 2006.

Proposed and rumoured supply is illustrated below.

Proposed Hotels – Jordan

Hotel Name	Number of Rooms	Opening Date	Location
Radisson SAS Tala Bay Resort	323	2007	Aqaba
Domina Inn Aqaba	175	2007	Aqaba
Holiday Inn Resort Dead Sea	190	2007	Dead Sea
Holiday Inn Commodore	250	2008	Amman
Kempinski Hotel Aqaba	216	2008	Aqaba
Iberotel Tala Bay	306	2008	Aqaba
Holiday Inn Aqaba	155	2008	Aqaba
Crowne Plaza Resort Dead Sea	432	2008	Dead Sea
2009 Openings	2,757	2009	
2010 Openings	450	2010	

Source: HVS Research

Outlook and Opportunities

Following the events of the summer in Lebanon, 2006 results were not good for the tourism industry in Jordan in general. However, we are optimistic that the completion of the mega tourism projects taking place in the country will help the country's positioning toward high end tourism.

We expect an improvement in the hotel performance in Amman for 2007, driven by an increase in occupancy. However, we reiterate the country's vulnerability to regional instability and any global economic downturns.

No investment decision should be made based on the information in this survey. For further advice please contact the authors.

About our Team

HVS International has a team of Middle East experts that conducts our operations in the MENA region. The team benefits from international and local cultural backgrounds, diverse academic and hotel-related experience, in-depth expertise in the hotel markets in the MENA region and a broad exposure to international hotel markets in Europe. Over the last 24 months, the team has advised on more than 100 hotels or projects in the region for hotel owners, lenders, investors and operators. Together, HVS has advised on more than US\$10 billion worth of hotel real estate in the region.

About the Authors



Hadrien Pujol is an Associate Director with HVS's London office. He joined HVS in 2004 and has five years' operational experience in the hospitality industry in Europe. Originally from Carcassonne, France, Hadrien holds an MBA from IMHI (Essec Business School – France and Cornell University – USA) and Diplomas in Hotel Operations from the Lycée Hotelier Savoie – Léman, Thonon Les Bains and the Lycée Hotelier Quercy – Périgord, Souillac. Hadrien is currently preparing his MSc in Corporate Real Estate Finance and Strategy at Cass Business School in London. Since joining HVS he has advised owners on many hotel and hotel-related investment projects and strategic developments in Europe, the Middle East and Africa.



Bernard Forster is a Director with HVS's London office, heading the MENA region. He joined the company in 1997 from Accor Hotels & Resorts where he focussed on property management systems, yield management and guest-history systems in Europe, the Middle East and Africa. Previously, Bernard worked in various operational management roles for the Savoy Group (now Maybourne Group) in London as well as for the Dolder Grand Hotel in Zürich. Bernard holds an MSc in Property Investment from City University, London; a BSc (Hons) in Hotel Management from Oxford Brookes University; and a diploma in Hotel Administration from Institut Hotelier 'Cesar Ritz', Le Bouveret, Switzerland.